Transcript: A ‘payday loan’ from a health care behemoth

Dan: Hey there--

Last month, I saw a wild tweet from a doctor in New York -- lots of other people saw it too. It made the rounds.

It said that Optum -- a subsidiary of UnitedHealth Group, better known for running the big insurance company UnitedHealthcare-- quote, "is now running a payday loan business targeting medical practices."

This doctor wrote that United "denies and delays" payments to docs-- in other words, hurting their cash flow, making them targets for a "payday loan business."

One thing checked out right away: Optum is offering loans to doctors and other providers, at interest. And the pitch is cash flow.

Voiceover: **Optum Pay Advance is built for healthcare organizations like yours. We've developed a customized cash flow solution that gives easy and fast access to funds**

Dan: The website gives an example where a $100 "loan" means $65 to you upfront, and them keeping $35.

The doc who tweeted it called the idea "Genius," exclamation point.

You know, genius like in “evil genius.” It sounded like my boss telling me:

Hey, Dan. Payday's Friday. And I've got bad news and good news. The bad news is, I'm not gonna pay you Friday. I'm gonna do a deep dive on your timesheet, and I may ask you for a bunch of supporting paperwork. Honestly, I don't know how long it'll take, or how much I'm actually going to pay you. So that's the bad news.

The good news is: I can front you some of the money. I'll just take it out of any future paychecks, plus a little something for my trouble. Say, 35 percent?

I talked with the doctor who posted the tweet: Alex Shteynshlyuger, a urologist in New York.

Dr. Alex Shteynshlyuger: **So that's an incredible business plan. You have to be really creative, to come up with that, business idea. You also have to have steel balls to actually propose that publicly, I mean, you, have to not have any moral compass at all.**

Dan: Now, having looked into it, I've gotta say: It may not be EXACTLY that simple. UnitedHealth Group operates a huge web of health care enterprises, not just insurance. These "payday loans" are in a different part of the web from the insurance side.

But that turns out to be the story: The size and complexity of that web -- the way it surrounds doctors like Alex Shteynshlyuger, the way it keeps getting tighter, around all of us, and what that seems to cost us-- that's the story here.

UnitedHealth Group is not the only company weaving a giant web, but it turns out they're the biggest.

And as far as I know, they're the only ones offering payday loans to docs. So let's make them our case study.

This is An Arm and a Leg, a show about why health care costs so freaking much, and what we can maybe do about it. I'm Dan Weissmann. I'm a reporter, and I like a challenge. So the job we've chosen here is to take one of the most enraging, terrifying, depressing parts of American life, and bring you something entertaining, empowering, and useful.

So, let's start with Dr. Shteynshlyuger. He started his own practice about ten years ago, and after a few years, he decided to go out of network with most insurance plans.

Dr. Alex Shteynshlyuger: **I still would love to be in network because it's much easier to practice in a way. It lowers costs to the patients, which make them more likely to come and see me**

Dan: He'd like to, but there was a problem. The rates insurers pay for his services.

Dr. Alex Shteynshlyuger: **I don't have a market power to negotiate with insurance companies, so what they do is they offer me the type of rates where you can't stand and stay in business.**

Dan: With one insurer, he says he lost money on every case. He says he asked to negotiate.

Dr. Alex Shteynshlyuger: **I didn't even get a counter proposal. I just got a, a few sentence response that we don't negotiate**

Dan: Full disclosure: I haven't seen a copy of that response. But what he's saying echoes tons of other reporting. Insurers pay higher rates to bigger entities.

A lot higher.

For one of the first episodes we ever did, I talked with Jenny Gold, who was a reporter for KFF Health News [and of course they've since become our co-producers on this show]. She had combined two databases to analyze thousands of cases.

She was looking at prices for delivering babies in the Bay Area, and she found that when it was a big local hospital system billing, versus a doctor in solo practice, insurance paid double — sometimes more than three times as much — for the exact same service.

Her conclusion was: Big systems have lots of clout. And small fry get told "take it or leave it."

That's the kind of thing Dr. Shteynshlyuger says he was up against. So he decides he can't survive on those take-it-or-leave it rates, and he goes out of network.

But it's not like this takes out of the world of dealing with insurance companies:

His patients have insurance with out-of-network benefits, so he files lots of claims for them. He says he doesn't always get paid-- and often when he does get paid, he says it takes a long time, and a lot of work.

Dr. Alex Shteynshlyuger: **They can throw up various barriers saying we need medical records and when they get medical records that are clear cut,**

like day and night, you can't, a blind man cannot make, you know, uh, an error judging that the care was provided. They still find A reason to deny.

Dan: What he's saying lines up with what others have found.

For instance, according to data compiled by KFF, UnitedHealthcare reported to the federal government that they denied 23 percent of claims. And they're in the middle of the pack. Some insurers deny a lot more.

But 23 percent — that's almost one in four.

Imagine if one out of every four paychecks, your boss was like, "Naaah, I don't think you really worked those hours."

And there's an appeals process. But if you're listening to this show, you may have had the experience of appealing an insurance denial when you're the patient. Or you've heard the stories, maybe here, maybe from people you know.

It’s nobody's idea of a good time, or a quick process. And some fights, you can't win.

Now, imagine you had to fight like that for every fourth paycheck.

The result, Dr. Shteynshlyuger says, is that doctors like him are leaving private practice. And often joining bigger entities, with more clout.

Dr. Alex Shteynshlyuger: There used to be a lot of urologists in private practice when I started. And today, you can barely count them on one hand.

Dan: And we did find a study showing that there were a lot fewer urologists in private practice in New York than just a few years ago.

... and writ large: The number of doctors in private practice is shrinking, quickly, across the country.

According to the American Medical Association, 2020 was the first year when doctors in private practice became a minority. Less than a decade before that, the number had been 60 percent.

And you know who has been buying up physician practices like nobody's business? UnitedHealth Group's's Optum Health. Two years ago, they caught up to the two biggest hospital chains as employers of doctors, at 50,000. And they've kept going, to 70,000.

Dr. Alex Shteynshlyuger sees this as one big circle:

Dr. Alex Shteynshlyuger: So what they typically do is that they run the practice into the ground and then they buy it.

Dan: This sounds like a conspiracy: Squeeze your competitors, so when you come offering to buy, you've got a ... motivated seller.

And I'm not convinced it's that... coordinated. United Healthcare's not the only big insurance company that squeezes small practices with low rates and lots of denials. And docs have complained about it for a LONG time.

And they're not the only ones buying up small practices-- hospitals and private equity-backed companies have been doing the same thing, for a lot longer than United.

Similarly, when Dr. Shteynshlyuger describes what he calls the payday loan setup, he talks about it like basically a conspiracy.

Dr. Alex Shteynshlyuger: I mean, who can come up with something like that? First, you don't pay doctors or make them, unable to meet the payroll. And then you offer them the loan from the money that you haven't paid them.

Dan: UnitedHealth Group disagrees. They wouldn’t go on tape with us-- and we asked-- we had lots of questions. But they sent me a statement, and it reads, in part:

Optum Bank’s Working Capital loan offers providers an option to access capital at market competitive terms. The speculative theories shared with us have no merit.

And actually, it's not quite as straightforward as Dr. Shteynshlyuger says: Loaning out exactly the cash they’d be paying him.

Technically, at least, the money behind Optum Payday Advance doesn't come from insurance premiums.

But from Dr. Shteynshlyuger's perspective, it's like United Health Group is surrounding him on multiple sides: They're the insurance company he's sending bills to, and fighting with.

And by gobbling up so many medical practices-- including a few local urology practices -- they've also become HIS DIRECT COMPETITOR. And now there's what he calls this payday loan business.

UnitedHealth Group doesn't have to conspire against him. They're already all around him. And United -- and other giant entities -- are increasingly surrounding every health care provider we might want to see.

Surrounding them with a web that's getting bigger and thicker all the time.

I'm calling it a web, but one expert offers a different image:

Lawton Robert Burns: One of my colleagues calls United a behemoth.

Dan: That's coming right up. This episode of An Arm and a Leg is produced in partnership with KFF Health News. That's a nonprofit newsroom covering healthcare in America., Their work wins all kinds of journalism awards every year, and I'm honored to work with them. So, it's time to get a birds' eye view. Let's hear from an expert. Let's hear from

Lawton Robert Burns: Lawton Robert Burns. I'm a professor in health care management at the Wharton School at the University of Pennsylvania. I basically study everything about health care and have been doing so for over 40 years. And as I love to tell people, I'm just beginning to understand it.

Dan: He's the author of books like "The Health Care Eco-System." The Senate Finance Committee asked him to come and talk in March. I think he should be good enough for us.

He says, UnitedHealth Group is not the only company trying to weave a web.

Lawton Robert Burns: There are six or seven other players out there who are doing the exact same thing.

Dan: But United's the biggest. Biggest insurance company. Biggest employer of physicians. Biggest at a bunch of technical back-end stuff.

Lawton Robert Burns: **One of my colleagues calls United a behemoth. That's probably the best way to describe – they're a behemoth.**

Dan: And everybody else -- any player of any size-- wants to be one.

Lawton Robert Burns: **Everybody wants to get bigger. And that is the corporate strategy of everybody in healthcare. Just get big. Do you remember who Al Davis is?**

Dan: So, I didn't. But he was a legendary owner and manager of the Oakland Raiders like 40 years ago, when I guess they were winning a lot of Super Bowls. And there's a famous clip of him

Lawton Robert Burns: **A press conference held right after they won the Super Bowl. Al Davis is sitting there receiving the Super Bowl trophy**

Dan: And the announcer asks: How do you keep winning like this? And Al Davis says, you've gotta have great coaches

Al Davis: **then after you have great coaches, you get great players, you have a great organization,**

Lawton Robert Burns: **You have to have good management, and you tell them one thing**

Al Davis: **just win. Just win, baby.**

Lawton Robert Burns: **And he's got this big grin on his face. Just win baby. And so I've taken that and I said, okay, all these players in health care have taken a page out of Al Davis's book and it's called just grow baby. So if you want to know what's going on, I just remember Al Davis. It's just grow baby. And that's all that all of these people are doing. It's not be more efficient or have higher quality or to improve access to health care all this stuff is window dressing and a cover for what's really going on. What's going on here is it's just grow baby.**

Dan: And Lawton Robert Burns is not so big on growth. His most recent book is called "Big Med: Megaproviders and the high cost of health care in America."

He's quick to point out, that book doesn't look at United, which is now arguably the biggest megaprovider. That book only looks at hospitals consolidating--merging into Big Med.

Lawton Robert Burns: The hospital sector is where we have more evidence. Than anywhere else. And the results there show that prices go up. When hospitals consolidate, costs go up when hospitals consolidate, quality stays the same or declines when hospitals consolidate, it's not a pretty picture

Dan: There's less data for other kinds of players in health care, but he's looked at what data there is.

Lawton Robert Burns: Across almost all sectors, there's very little good news about what happens when these organizations. or these sectors of health care get bigger

Dan: What about the claims from big companies like United that they provide better service because they can coordinate, I mean here's what United said in the statement they gave me:

"We are committed to improving the health system for everyone, advancing evidence-based practice and aligning incentives across the system to ensure people get the right care at the right time in the right place."

Lawton Robert Burns: who's not going to say that? Come on?

Dan: What about the idea of economies of scale? Like, you buy a million stethescopes, you get a better deal. He's like, yeah. Economies of scale, huh?

Lawton Robert Burns: it's the single most invoked rationale for getting bigger, but there's very little evidence that it exists. Here's what I tell my students. When you hear the expression economies of scale, think BS.

Dan: So, Lawton Robert Burns is not seeing the upside. And he's not seeing any controls.

Lawton Robert Burns: The regulatory agencies, both the federal and the state level don't have, you know, all the horses in the world to pursue everything that's going on. They're just too many of these deals going on big and small, involving hospitals, doctors, insurance, other, you know, they don't have the horses. To like do anything about it, let alone monitor it.

Dan: Yeah. And so it leaves me, concerned

Lawton Robert Burns: Yeah, you're right.

Dan: Erin Fuse Brown is concerned too. She's a law professor at Georgia State. She studies consolidation in the health care business, and she's a pal of the show, so she's pretty much the first person I called for a take on what Dr. Alex Shteynshlyuger calls the payday loan proposition.

Erin Fuse Brown: okay, let's see if I can be sort of, uh, politic about this. It sounds absolutely crazy.

Dan: If Lawton Robert Burns is skeptical of behemoths-- like, doesn't see the evidence that they're good -- law professor Erin Fuse Brown is ready to see the harms.

Because this is a whole area of law: It's called anti-trust, right? The idea is, companies can get too big for anybody's good. They can choke out competition and just milk everybody for profit.

And United Health Group as a behemoth -- biggest insurer, the biggest provider -- opens up a whole new kind of anti-trust question.

Erin Fuse Brown: That just blows my mind, I don't even know what happens when those two things happen, like collide into one entity, those two things happen, like collide into one entity, um, I, I, I don't know. I'm a little afraid, right? Like I think that we're going to get it on both sides, like our premiums are going to go up, our prices are going to go up, and they're the ones who are profiting from all of that.

Dan: And their profits are SUPER-high right now. The stock price is through the roof. Erin Fuse Brown says, it's a problem that regulators can't keep up with the pace of deals that turn a company into a behemoth.

Erin Fuse Brown:. Once it's formed, antitrust has very little ability to break it up or restore competition to a market.

Dan: So, that's concerning. But the problem isn't just that antitrust regulators can't keep up with the pace of these deals. It's that anti-trust regulators don't have a good way to fight certain kinds of deals that are becoming common.

Erin Fuse Brown: Antitrust has not been doing a particularly good job of policing or going after transactions that are vertical in nature.

Dan: Vertical in nature. This is the way anti-trust folks talk about what companies like United Health Group are doing: Spinning a web that covers lots of different sectors.

So, HORIZONTAL consolidation would be United buying another insurance company.

VERTICAL consolidation is United employing tens of thousands of doctors.

Erin Fuse Brown: Antitrust has a good track record of a horizontal hospital in one city buying another big hospital in the same city. That antitrust is capable of, you know, of fighting. But there is no track record in health care of a successful vertical challenge

Dan: And she says the lack of a track record is kind of a self-perpetuating problem.

Erin Fuse Brown: no one wants to be the first mover. No judge wants to rule without precedent, even if the economic evidence is starting to pile up that these vertical consolidations are Just as competitively harmful.

Dan: And recognizing that problem, regulators bring fewer cases.

Erin Fuse Brown: the antitrust agencies don't want bad precedent. And so they're, they're hesitant to bring these cases. I mean, it's easy to sit as a, in my ivory tower and, and dare the Department of Justice and the, and the FTC to be more bold, um, but to actually start bringing these cases, you know, build up the evidence base. Like they have to get a win on the board in order to be able to, um, go after these mergers and I, and if they don't, and the problem is, is like the one time they've tried, um, I think in recent memory, which was the United Change case, they lost

Dan: Yeah, United Health Group wanted to buy a company called Change Healthcare, which does a bunch of back-end stuff to resolve insurance claims. They do it for most insurance companies.

And the feds said: Whoa, hold up. No. That's gonna let you see what all the other insurance companies are doing. You'll have access to all their most sensitive data.

The feds brought that case.

United said in court: It would totally never exploit that data.

Erin Fuse Brown: it's saying it's not going to look at its competitors data for anti competitive advantage,

Dan: United said it already *had* access to tons of sensitive data -- from other back-end functions it was already performing for other companies.

If those competitors trusted them, why shouldn't the court? The judge bought that argument, and the feds lost. That was just last year.

Erin Fuse Brown: And I think that has some negative effects as well, it emboldens it.

Dan: So we end up with these growing behemoths, with more and more "market power"

Erin Fuse Brown: once they form, there's very little one can do to stop them from using that market power to increase prices or, reduce access or, or whatever bad effect might then eventually reach the consumer.

Dan: Which does. Not. Sound. Great.

But-- I looked up the essay that labeled United a behemoth.

And the author-- a guy named Jeffrey Goldsmith-- noted that behemoths don't necessarily last forever. He wrote:

United has grown to its present immense scale largely without public knowledge.

Americans are suspicious of vast enterprises, as businesses from Standard Oil, US Steel and ATT to Microsoft and Facebook have learned.

He thinks United is "highly vulnerable" to the risk that a giant news event will crystallize public opinion against them -- will confirm the narrative "that United is mainly about maximizing its own profits, not about improving the health of its subscribers or the communities it serves. It is not clear how many of the tens of millions of United subscribers have warm and fuzzy feelings about their giant health insurer."

Me, I'm guessing: Not too many.

For now, for those of us who may NOT have such warm, fuzzy feelings, we've made a start: We're starting, right here, to build more public knowledge, our own knowledge, about UnitedHealth Group's immense scale.

And knowledge is the beginning of power.

I'll catch you in a few weeks.

Till then, take care of yourself.

This episode of An Arm and a Leg was produced by me, Dan Weissmann, with help from Emily Pisacreta and edited by Ellen Weiss.

Big thanks this time to the writer, journalist, and activist Cory Doctorow. This story reminded me of themes from his work, including his recent book Chokepoint Capitalism, and Cory was kind enough to talk with me.

I didn't quite manage to make those conversations part of this episode, but: If you don't know Cory's work, it's spectacular.

I'll have some links wherever you're listening -- and more in our newsletter: You can sign up at arm and a leg show dot com, slash, newsletter.

Daisy Rosario is our consulting managing producer. Adam Raymonda is our audio wizard. Our music is by Dave Winer and Blue Dot Sessions.

Gabrielle Healy is our managing editor for audience. She edits the First Aid Kit Newsletter.

Bea Bosco is our consulting director of operations. Sarah Ballema is our operations manager.

And we've got a summer intern: Welcome, Bella Cha-KOW-ski

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And yes, you did hear the name Kaiser in there, and no: KFF isn't affiliated with the health care giant Kaiser Permanente. You can learn more about KFF Health News at arm and a leg show dot com, slash KFF.

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Thank you!